



MEDIA RELEASE

STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

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FLOWERS LAUDS FEDERAL INVESTIGATION OF IRREGULARITIES AT RECIPROCAL OF AMERICA

FEDERAL PROBE CONTINUES BEYOND GUILTY PLEAS

Nashville, TN-- The Federal probe of irregularities within Virginia-based Reciprocal of America may help Tennessee's civil case on behalf of thousands of malpractice insurance policyholders of three collapsed Tennessee insurers run by ROA.

Tennessee Commissioner of Commerce and Insurance Paula A. Flowers said recent guilty pleas by former ROA president Kenneth R. Patterson and former executive vice president Carolyn Hudgins may help shed further light on the scope and details of the massive insurance scheme that caused the collapse of three Tennessee malpractice insurers. The three Tennessee-domiciled companies - American National Lawyers Insurance Reciprocal ("ANLIR", a legal malpractice insurance company) The Reciprocal Alliance ("TRA" a medical malpractice insurance company), and Doctors Insurance Reciprocal ("DIR", a medical malpractice insurance company) – were all operated in ROA's Richmond offices by The Reciprocal Group, an ROA subsidiary.

"I'm gratified that the Federal Bureau of Investigation and U.S. Attorney's Office is pursuing this matter in criminal court, and has apparently secured the cooperation of Mr. Patterson and Ms. Hudgins," said Flowers. "I am hopeful that all those connected with ROA who acted to defraud the policyholders of ANLIR, TRA and DIR will be brought to justice and that sufficient assets will be recovered to make all policyholders whole."

As liquidator of the three Tennessee-chartered companies, Flowers has filed a civil suit on behalf of the thousands of doctors, lawyers and medical facilities insured by the Tennessee-chartered companies, whose risk and premiums had been transferred to ROA. The civil suit, filed in US District Court in Memphis, alleges that ROA and its tangled network of related companies – including the Tennessee insurers – were operated as a single business enterprise whose policyholders must be treated equally.

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